

Attachment III
Prioritized Solutions from the City
Manager's General Fund Structural
Deficit Task Force

Attachment IV
Prioritized Solutions from the
Neighborhood Association Priority
Setting Session (January 19, 2008)

Attachment V
2008 Community Budget Survey
Information Memo

ATTACHMENT A –TOP PRIORITY AND MASTER STRATEGIES MATRIX

Top Strategies

| R0 - REVENUE STRATEGIES | | | |
|-------------------------|---|--|--|
| | STRATEGY | POTENTIAL FISCAL IMPACT (estimates in millions) | IMPLEMENTATION CONSIDERATIONS |
| R.1 | Extend the Emergency Communication System Support Fee | \$23.4 | Council Approval |
| R.2 | Utilize Financing Strategies which have Positive Net Present Value | \$1.7 - \$6.1 | Council Approval |
| R.3 | Ensure Current Fees Fully Cover All City Costs | \$2.0 - \$9.0 | Council Approval |
| R.4 | Restructure Business Tax Rates to Modernize and Reflect Current Business Profile | \$6.3 - \$15.0 | Council / Voter Approval |
| R.5 | Modernize Utility Users Tax and Consider Bringing the Rate into Alignment with other Large Cities having this Tax | \$7.9 - \$39.6 | Council / Voter Approval |
| R.6 | Implement City-Wide Lighting and Landscape Districts or other Proposition 218 "Property-Related" fees | \$2.5 - \$11.0 | Council / Voter Approval |
| R.7 | Levy Parcel Tax or Sales Tax for Public Safety or Other Services | \$14.0 - \$38.0 | Council / Voter Approval |
| R.8 | Increase Transient Occupancy Tax to Market and Shift to General Fund | \$4.5-\$11.3 | Council / Voter Approval / Coordination with Convention Center Plans |

City of San José
Strategies to Address the City's General Fund Structural Budget Deficit

| SD.0 - SERVICE DELIVERY MODEL CHANGES | | | |
|---------------------------------------|--|--|--|
| | STRATEGY | POTENTIAL FISCAL IMPACT (estimates in millions) | IMPLEMENTATION CONSIDERATIONS |
| SD.1 | Formalize and Implement a Rigorous Asset Management Program | \$3.3 - \$5.0 | Council Approval |
| SD.2 | Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to Maximum Extent Possible | \$2.2 (rev) | Council / Agency Board Approval |
| SD.3 | Revise Competition Policy, Implement Managed Competition for Service Delivery, and Optimize Work Processes | \$8.0 - \$13.3 | Council Approval / Competition Policy Revision |
| SD.4 | Increase Use of Civilian Positions in Police and Fire | \$0.5 - \$1.5 | Council Approval / Meet & Confer |
| SD.5 | Eliminate Binding Interest Arbitration | Future Cost Avoidance | Council / Voter Approval (City Charter Change) |
| SD.6 | Modify Minimum Fire Staffing Policies Where Appropriate Based on Fire Strategic Plan | TBD | Council Approval / Meet & Confer |
| SD.7 | Implement an Employee Suggestion and Process Streamlining Program | \$0.0 - \$1.0 | Council Approval |

City of San José
Strategies to Address the City's General Fund Structural Budget Deficit

| EC.0 - EXPENDITURE CONTROLS AND SHIFTS | | | |
|--|---|---|---|
| | STRATEGY | POTENTIAL FISCAL IMPACT (estimates in millions) | IMPLEMENTATION CONSIDERATIONS |
| EC.1 | Shift Healthy Neighborhood Venture Fund Funding to General Fund | \$5.0 - \$9.0 | Council Approval |
| EC.2 | Reduce Workers' Compensation, Disability, and Overtime Costs | \$3.0 - \$4.2 | Some Steps May Be Subject to Meet & Confer |
| EC.3 | Shift Construction and Conveyance Tax Funding from Capital Projects to Operating and Maintenance Costs | \$6.0 - \$12.0 | Council / Voter Approval |
| EC.4 | Reduce the Rate of Increase in Employee Salary and Benefit Costs | \$6.6 - \$10.0 | See below |
| EC.4.a | Increase Time to Reach Maximum Compensation | \$1.9 | Meet & Confer |
| EC.4.b | Reduce Entry-Level Compensation for Positions for which the City Receives Many, Qualified Applicants | \$0.7-\$1.7 | Meet & Confer |
| EC.4.c | Implement Health Care Plan Modifications | \$1.2 - \$4.6 | Provider Contract Negotiations / Meet & Confer |
| EC.4.d | Implement Sick Leave Payment Upon Retirement Program Modifications | \$1.8 | Meet & Confer |
| EC.5 | Change Prevailing Wage Applications: Eliminate Service Contracts | \$1.2 | Council Approval |

City of San José
 Strategies to Address the City's General Fund Structural Budget Deficit

| SR.0 - SERVICE REDUCTIONS | | | |
|---------------------------|--|--|-------------------------------|
| | STRATEGY | POTENTIAL FISCAL IMPACT (estimates in millions) | IMPLEMENTATION CONSIDERATIONS |
| SR.1 | Reduce / Eliminate City Services to Funding Capacity | \$25.0 | Council Approval |

TOP PRIORITY AND MASTER STRATEGIES

REVENUE STRATEGIES

| Strategy | Potential Fiscal Impact | Implementation Considerations | Straw Poll |
|---|-------------------------|--|------------|
| Extend the Emergency Communication System Support Fee | \$23.4 | Council Approval | 58 |
| Utilize Financing Strategies which have Positive Net Present Value | \$1.7- \$6.1 | Council Approval | 32 |
| Ensure Current Fees Fully Cover All City Costs | \$2.0- \$9.0 | Council Approval | 31 |
| Restructure Business Tax Rates to Modernize and Reflect Current Business Profits | \$6.3 - \$15.0 | Council / Voter Approval | 38 |
| Modernize Utility Users Tax and Consider Bringing the Rate into Alignment with other Large Cities having this Tax | \$7.9- \$39.6 | Council / Voter Approval | 23 |
| Implement City-Wide Lighting and Landscape Districts or other Proposition 218 "Property-Related" fees | \$2.5- \$11.0 | Council / Voter Approval | 13 |
| Levy Parcel Tax or Sales Tax for Public Safety or Other Services | \$14.0- \$38.0 | Council / Voter Approval | 17 |
| Increase Transient Occupancy Tax to Market and Shift to General Fund | \$4.5- \$11.3 | Council / Voter Approval / Coordination with Convention Center Plan | 46 |

TOP PRIORITIES SELECTED BY THE COMMUNITY

- Extend the Emergency Communication System Support Fee
- Increase Transient Occupancy Tax to Market and Shift to General Fund
- Restructure Business Tax Rates to Modernize and Reflect Current Business Profits
- Utilize Financing Strategies which have Positive Net Present Value
- Ensure Current Fees Fully Cover All City Costs



SERVICE DELIVERY MODEL CHANGES

| Strategy | Potential Fiscal Impact | Implementation Considerations | Straw Poll |
|--|--------------------------------|--|-------------------|
| Formalize and Implement a Rigorous Asset Management Program | \$3.3- \$5.0 | Council Approval | 60 |
| Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to Maximum Extent Possible | \$2.2- (rev) | Council/ Agency Board Approval | 50 |
| Revise Competition Policy, Implement Managed Competition for Service Delivery, and Optimize Work Processes | \$8.0- \$13.3 | Council Approval/ Competition Policy Revision | 38 |
| Increase Use of Civilian Positions in Police and Fire | \$0.5- \$1.5 | | 47 |
| Eliminate Binding Interest Arbitration | Future Cost Avoidance | Council / Voter Approval (City Charter Change) | 24 |
| Modify Minimum Fire Staffing Policies Where Appropriate Based on Fire Strategic Plan | TBD | Council Approval/ Meet & Confer | 17 |
| Implement an Employee Suggestion and Process Streamlining Program | \$0.0- \$1.0 | Council Approval | 30 |

TOP PRIORITIES SELECTED BY THE COMMUNITY

- Formalize and Implement a Rigorous Asset Management Program
- Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to Maximum Extent Possible
- Increase Use of Civilian Positions in Police and Fire
- Revise Competition Policy, Implement Managed Competition for Service Delivery, and Optimize Work Processes



EXPENDITURE CONTROLS AND SHIFTS

| Strategy | Potential Fiscal Impact | Implementation Considerations | Straw Poll |
|--|-------------------------|--|----------------------------------|
| Shift Healthy Neighborhood Venture Fund Funding to General Fund | \$5.0- \$9.0 | Council Approval | 16 |
| Reduce Workers' Compensation, Disability and Overtime Costs | \$3.0- \$4.2 | Some Steps May Be Subject to Meet & Confer | 52 |
| Shift Construction and Conveyance Tax Funding from Capital Projects to Operating and Maintenance Costs | \$6.0- \$12.0 | Council/ Voter Approval | 47 |
| <i>Reduce the Rate of Increase in Employee Salary and Benefit Costs</i> | <i>\$6.6- \$10.0</i> | | Umbrella Statement; not voted on |
| Increase Time to Reach Maximum Compensation | \$1.9 | Meet & Confer | 24 |
| Reduce Entry-Level Compensation for Positions for which the City Receives many Qualified Applicants | \$0.7- \$1.7 | Meet & Confer | 15 |
| Implement Health Care Plan Modifications | \$1.2- \$4.6 | Provider Contract Negotiations / Meet and Confer | 32 |
| Implement Sick Leave Payment Upon Retirement Program Modifications | \$1.8 | Meet & Confer | 36 |
| Change Prevailing Wage Applications: Eliminate Service Contracts | \$1.2 | Council Approval | 28 |

TOP PRIORITIES SELECTED BY THE COMMUNITY

- Reduce Workers' Compensation, Disability and Overtime Costs
- Shift Construction and Conveyance Tax Funding from Capital Projects to Operating and Maintenance Costs
- Implement Sick Leave Payment Upon Retirement Program Modifications
 - Implement Health Care Plan Modifications

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Memorandum

TO: City Council

FROM: Mayor Chuck Reed

SUBJECT: 2008 Community Budget Survey

DATE: January 18, 2008

Approved

Date

INFORMATION

Attached are the results of the 2008 community budget survey, conducted by Fairbank, Maslin, Maullin & Associates from January 7 to 13. This year's survey explored residents' perceptions of City services, their funding priorities, and their support for or opposition to strategies to increase revenue or cut the budget deficit.

The Council will receive an in-depth report from FMMA prior to the February 12 priority setting session. Staff from FMMA will make a presentation at the February 12 meeting as well.

My goal in releasing the results now is to ensure that all of you and those in the community who have been working on strategies for solving the structural budget deficit have access to this information quickly.

SURVEY METHODOLOGY

This year, we expanded the telephone survey to 1,005 San José residents. Using a random-digit dial method, FMMA reached a random and representative sample of 503 San José residents. Last year, FMMA surveyed 450 residents by random-digit dial method. Given the interest in deficit-reduction strategies that may require action by the voters of San José, FMMA also surveyed a representative sample of 502 likely voters.

The survey was translated and conducted in Spanish and Vietnamese as well as English. The same questions were asked of each group of respondents. For tracking purposes, several questions were identical to those asked in 2007. The survey included questions exploring residents' rating of the quality of City services, residents' perception of the city budget, residents' priorities for increases or cuts in City spending, residents' attitudes toward budget-related policy issues, and a number of demographic questions that will allow analysis of survey results according to demographic and geographic subgroups.

The three documents attached report the results from the random sample and likely voters separately as well as a combined report of all 1,005 respondents.

SAN JOSÉ BUDGET

The survey results show an increasing awareness of the City's budget deficit: 53% of residents and 56% of voters believe the City will start its budget process with a deficit, compared with 35% of residents in 2007.

As with last year's survey, a majority of residents believe the City is spending the right amount of money on the key services areas that were the subject of the survey.

REVENUE GENERATION

Depending on the revenue strategy, increases may require a two-thirds or majority vote of the voters of San José. At this time, it appears that the majority of likely voters do not support fee or tax increases. (Note: similar results were seen in the responses of the random sample of San José residents.)

Voters were somewhat or strongly opposed to:

- Increasing the existing tax customers pay on utility bills, which is called the utility users tax, 74%
- Increasing the sales tax, 71%
- Creating new districts that would charge property owners for street landscape and new energy-efficient lighting services, 55%
- Establishing a new dedicated tax on each parcel of property in the city to support police, fire, and other critical services, 53%

Voters were somewhat or strongly supportive of:

- Increasing the existing hotel room tax, which is also called the transient occupancy tax, 62%
- Adjusting the tax on business licenses to generate new revenue, 60%
- Shifting funds from the real estate transfer tax from capital projects to operating and maintenance projects, 60%

CHANGES IN SERVICES

Respondents top recommendations for deficit solutions that would require changes in the way City provides services were:

- Selling underused city property, 83% strongly or somewhat support
- Increasing the leases for all buildings the City owns to market rate, 71%
- Lowering entry-level city salaries to market-rate, 69%
- Increasing the use of civilian positions in the Police and Fire Departments, 69%
- Reducing the size of pay increases for city employees, 62%

The only service change that a majority of respondents opposed was "changing and decreasing Police and Fire Department staffing requirements," which 59% somewhat or strongly opposed.

BUDGET CUTS

Few respondents deemed services cuts to be "completely acceptable." The areas in which they were most willing to see service cuts were:

- Reducing staffing in the Mayor and City Council's offices, 85% somewhat or completely acceptable.
- Reducing funds for recruiting, training, and recognizing city employees, 72%
- Reducing staff in the offices of the City Attorney, City Auditor, City Clerk, City Manager or Independent Police Auditor, 74%
- Reducing the size of pay increases for city employees, 71%
- Reducing staffing at the planning department, 71%

Respondents were most opposed to cuts in the following services:

- Eliminating crime prevention programs in which the City works with neighborhoods, 77% somewhat or strongly oppose.
- Closing bathrooms in neighborhood parks, 72%
- Reducing police staffing dedicated to solving property crimes, 71%
- Reducing the number of school crossing guards, 71%
- Eliminating City programs that educate young people in character and decision-making or give them work experience in City government, 63%